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COMMUNITY COLLEGE FUNDING STUDY: FINAL REPORT

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Submitted by:

The Legislative Finance Committee

July, 1981

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Submitted by:

The Legislative Finance Committee

July, 1981

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July 31, 1981

Members of the Forty-Seventh Legislature:

House joint resolution number fifty-eight of the forty-sixth legislature authorized an interim study to present recommendations and propose legislation concerning changes and refinements in the method of funding community colleges in Montana. As you are aware, the appropriation and budgeting procedures relating to community colleges were significantly revised by the forty-seventh session of the legislature. The new method of funding community colleges adopted by the legislature reflects, in large part, the recommendations of the year-long study of community college finance conducted by this committee. The attached report which I respectfully submit to you summarizes the issues and recommendations of the legislative finance committee relative to community college funding.

Senator Ed B. Smith, Chairman
Legislative Finance Committee



Community College Funding Study: Final Report

Introduction

The appropriation and budgeting procedures relating to community colleges were significantly revised during the 47th session of the legislature. During the session the legislature abandoned the "65:35" method of funding community colleges, in favor of an enrollment-driven formula appropriation. The new method of funding reflects the legislative finance committee's interim study of community college funding.

This is the final report on the community college funding study. It summarizes the issues and subsequent recommendations of the legislative finance committee relative to community college finance. In addition, since HB 69, passed by the 1981 session, requires the community colleges to submit operating budgets to the board of regents by June 15, it is also possible to assess the fiscal impact of the community college funding formula upon the state and the community college districts.

Part I - The Study

Study Authorized

Community college funding has been modified several times since the colleges were established in Montana in 1939. Since 1975, however, community college funding has been characterized by a 65:35 state-to-local funding ratio. This ratio was, in effect, a match with the state funding 65 percent of the community college operating budgets and the remaining 35 percent financed from local revenues. On its face, 65:35 appeared to be a straight forward means of financing Montana's system of community colleges. Similarly, 65:35 appeared to provide the framework for a consistent fiscal relationship between the state and the community college district.

However, because of inconsistencies in the statute, the meaning of 65:35 was uncertain. Depending upon the interpretation, 65:35 could produce widely varying fiscal impacts on both the state general fund and local mandatory mill levies (Appendix 1). As a result the legislature included language in the general appropriation acts of 1977 and 1979 in an effort to provide some continuity to the statute. This action prompted the colleges to request an attorney general's opinion clarifying legislative authority with respect to community college appropriations.

Dispute over the interpretation of 65:35 as well as a widespread dissatisfaction with the state's approach to funding higher education provided the necessary impetus for passage of HJR 58 by the 46th legislature. House joint resolution 58 authorized an interim study to draft legislation and present recommendations concerning the method of funding community colleges in Montana (appendix 2). Responsibility for the study was delegated to the legislative finance committee.

Hearings

The committee met on four occasions over a period of approximately one year to consider various aspects of community college funding. At each hearing committee action was preceeded by a report from the committee staff which outlined many of the issues facing the committee. The committee also heard testimony from interested parties including the presidents and trustees of the community colleges, and representatives from the office of the commissioner of higher education.

Concepts of Community College Funding

The committee considered two basic concepts of community college funding. These concepts, the public school or unit-rate model and the comprehensive budget analysis model, represent fundamentally different

responses to the initial issue addressed by the committee: should the state or the community college district control total institutional spending?

Public school or unit-rate model - This model generates funding for the colleges based on an amount per full-time equivalent (FTE) student adjusted for inflation.¹ This method of funding is fairly simple. Determination of state appropriations requires only the calculation of an appropriate level of expenditure per FTE, actual or projected enrollment, and a percentage of state support. The rate of reimbursement per FTE is generally related to the cost of education, and may vary by recognizing differences in the cost of academic and vocational courses. State funds are appropriated in grant form which affords considerable local flexibility in budget administration. Total spending is determined locally since all operating revenues are not subject to legislative scrutiny.² The district may elect to levy a special voted levy to support additional services not funded by the legislature. As a consequence the state appropriation may vary as a percentage of total spending depending upon the availability of voted levies and other restricted revenues.

Comprehensive budget analysis model - State funding for community colleges is the product of an extensive analysis of such factors as faculty salaries, student-faculty ratios, program costs, and other sources of revenue. Total community college spending is reviewed and fixed by the legislature in much the same manner as the budgets of the universities and other state agencies. Consistent shares of state and local support are possible since the entire community college budget is subject to legislative

¹A full-time equivalent student equals 15 student credit hours per quarter and 45 student credit hours per academic year.

²Total spending includes all expenditures of restricted and unrestricted revenues.

review. The comprehensive budget analysis model would require mandatory levies only, or legislatively imposed restrictions on the use of voted levies.

Unit Rate Method Supported

The committee recommended a funding mechanism based on the public school or unit rate concept of appropriation. The committee's decision may be attributed to a number of factors including:

1. Community colleges are primarily local educational institutions, and not units of the university system. Consequently decisions concerning total institutional spending and the level of services to be provided should be made locally.
2. State preemption of budget authority would negate the role of the trustees in college management and administration.
3. The voted levy is an essential element of local control. The local district should have the right to voluntarily tax itself to provide additional services beyond those funded by the legislature.

The committee also recommended that the calculation of the mandatory levy be included in the unit-rate formula calculations. This recommendation reflected the committee's intent that all unrestricted spending, other than that financed by voted levies, should be subject to the provisions of the formula.

Mechanics of the Formula

The unit-rate formula recommended by the committee generates funding for the community colleges based upon a calculated cost per FTE student. Specifically, the total unrestricted budget of the community colleges is determined by multiplying the number of FTE students by an amount per student. The general fund appropriation is calculated by multiplying the total unrestricted budget by a fixed percentage of state support. The

operation of the formula is illustrated in figure 1.

Figure 1
Formula Calculation of Community Colleges Unrestricted Budgets and General Fund Appropriation

Number of FTE Students
X Cost per Student
Total Unrestricted Budget
X % State Support
General Fund Appropriation

The general fund variables of the formula include the cost or expenditure per student, the number of full-time equivalent students, and the percentage of state support.

The remainder of the unrestricted budget is financed from a combination of local revenues including the mandatory levy, student tuition and fees, and other unrestricted revenues. The amount of the mandatory mill levy is determined by subtracting the general fund appropriation and estimates of student tuition and fees, and other unrestricted revenues from the total unrestricted budget. This aspect of the formula is illustrated in figure 2.

Figure 2
Formula Calculation of Mandatory Mill Levy

Total Unrestricted Budget
minus general fund
minus student tuition and fees
minus other unrestricted revenues
Mandatory Mill Levy

Cost Per Student

Surveys were conducted to compare community college expenditures

per FTE in Montana to expenditures per FTE of similar colleges in surrounding states. The criteria used to select comparable institutions were geographic location, FTE enrollment, and scope of instructional program. Each college surveyed is located in the western United States, had at the time of this survey fewer than 2,500 FTE students, and offered academic as well as vocational courses. The data collected included total unrestricted expenditures segregated by expense category for fiscal year 1979 and total student credit hour production for the 1978-79 academic year (appendix 3). The results of the survey are summarized by state (table 1) and by college (table 2).

Table 1
Expenditure Per FTE by State

| <u>State</u> | <u>Expenditure/FTE</u> |
|----------------|------------------------|
| Wyoming | \$3,746 |
| Utah | 3,081 |
| Montana | 2,490 |
| <u>Average</u> | <u>2,464</u> |
| Colorado | 2,287 |
| New Mexico | 2,250 (median) |
| Washington | 2,191 |
| Arizona | 2,117 |
| Nevada | 2,063 |
| North Dakota | 1,958 |

Table 2
Expenditure per FTE by College

| <u>Rank</u> | <u>Ordered College</u> | <u>Expenditure/FTE</u> <u>FY 1979</u> | <u>No. FTE</u> |
|-------------|-----------------------------------|--|----------------|
| 1. | Central Wyoming College | \$4,442 | 450 |
| 2. | Sheridan College | 4,349 | 472 |
| 3. | Western Wyoming College | 4,174 | 612 |
| 4. | College of Eastern Utah | 3,719 | 580 |
| 5. | Laramie County Community College | 3,481 | 1,210 |
| 6. | Eastern Wyoming College | 3,388 | 478 |
| 7. | Northwest Community College | 3,302 | 827 |
| 8. | Snow College | 3,101 | 897 |
| 9. | Dawson Community College | 2,958 | 329 |
| 10. | Colorado Northwestern | 2,808 | 841 |
| 11. | Miles Community College | 2,787 | 399 |
| 12. | Dixie College | 2,725 | 1,092 |
| 13. | New Mexico Junior College | 2,673 | 937 |
| 14. | Colorado Mountain College - West | 2,672 | 512 |
| 15. | Otero Junior College | 2,541 | 595 |
| 16. | E. New Mexico - Roswell | 2,385 | 939 |
| 17. | Colo. Mtn. College - East | 2,348 | 451 (Median) |
| 18. | Grays Harbor | 2,313 | 1,316 |
| 19. | Peninsula College | 2,257 | 1,133 |
| 20. | Whatcom Community College | 2,252 | 1,014 |
| 21. | Mohave Community College | 2,213 | 1,198 |
| 22. | Lake Region Junior College | 2,205 | 613 |
| 23. | Eastern Arizona | 2,183 | 1,845 |
| 24. | Flathead Valley Community College | 2,104 | 705 |
| 25. | North Nevada Community College | 2,063 | 367 |
| 26. | New Mexico State - Carlsbad | 2,051 | 345 |
| 27. | Morgan Community College | 2,034 | 284 |
| 28. | Wenatchee Valley | 2,030 | 1,840 |
| 29. | Trinidad State Junior College | 2,028 | 1,158 |
| 30. | Northeastern Colorado | 1,958 | 1,344 |
| 31. | Northland Pioneer | 1,948 | 1,414 |
| 32. | Bismarck Junior College | 1,902 | 1,823 |
| 33. | Univ. of New Mexico - Gallup | 1,895 | 360 |
| 34. | Univ. of N. Dakota - Williston | 1,875 | 514 |
| 35. | New Mexico - San Juan | 1,872 | 861 |

The data generated by the survey indicates that Montana's community colleges distributed across the middle one-third of the survey population when ranked according to expenditure per FTE. Further, the survey

shows that for fiscal 1979, the base year of the study, Montana's average level of expenditure per FTE (\$2,490) was nearly identical to the regional average expenditure per FTE (\$2,464). The cost factors ultimately used to develop the 1983 biennium appropriations represented inflationary adjustments to the base year expenditure of \$2,490 per FTE student.

Recognition of Program Cost Differences

The committee examined the justification of incorporating multiple cost factors into the proposed unit-rate funding formula to recognize disparities in program costs, particularly among academic and vocational courses. Under such an arrangement the colleges are compensated at one level for the number of FTE students enrolled in academic courses and at another, presumably higher level, for the FTE students enrolled in vocational courses.

The committee opted for a single average expenditure per FTE. This decision reflected a number of considerations including:

1. The program cost data received from the colleges did not conclusively support the contention that vocational courses were more costly than academic courses.
2. Recognition of program cost differences might substantially increase monitoring requirements necessary to insure that enrollments were properly reported.
3. Reimbursing a higher rate for vocational students provides an incentive for the colleges to offer additional vocational programs.
4. Disparities in program cost are adequately accounted for by an average expenditure level.

Calculation of FTE Students

The committee recommended that for the purposes of generating state appropriations, the legislature recognize only those courses and credit hours accepted by the community colleges toward the completion of degree requirements. This recommendation anticipated full funding for the academic and vocational components of the community college instructional program, but specifically excluded all noncredit community service courses from consideration for state funding.

Representatives from the community colleges and the office of the commissioner of higher education had argued that although community service courses were not accepted toward the completion of degree requirements, they nevertheless constituted a legitimate aspect of the community college instructional mission and should be partially financed by the general fund.

The committee recommendation to withhold funding for community service courses appeared to reflect an unwillingness to provide state funds for courses which the community colleges offered primarily for recreational purposes, and did not accept toward the completion of degree requirements.

Percentage of State Support

The committee also surveyed the peer institutions to determine an appropriate percentage of state support for community college operating budgets. The data collected consisted of total unrestricted revenues by fund source for fiscal 1979 (appendix 4). The results of the data are presented by college in table 3 and by state in table 4.

Table 3
State Revenue as a Percentage of Total Unrestricted Revenues
By College, Rank Ordered, Fiscal 1979

| | | State Revenue | Total Revenue | State/ Total |
|-----|--------------------------------|------------------|------------------|-----------------|
| 1. | Northern Nevada Comm. College | \$ 681,957 | \$ 761,025 | 87.1 |
| 2. | Whatcom Community College | 1,756,229 | 2,026,677 | 86.7 |
| 3. | Grays Harbor Comm. College | 2,611,058 | 3,030,784 | 86.2 |
| 4. | Peninsula College | 2,211,970 | 2,588,670 | 85.5 |
| 5. | Snow College | 2,602,801 | 3,113,680 | 83.6 |
| 6. | Wenatchee Valley Comm. College | 3,066,762 | 3,674,101 | 83.5 |
| 7. | College of Eastern Utah | 2,044,521 | 2,527,364 | 80.9 |
| 8. | Eastern Wyoming Comm. College | 1,427,620 | 1,801,071 | 79.3 |
| 9. | Otero Junior College | 1,345,095 | 1,712,487 | 78.6 |
| 10. | Trinidad State | 1,795,943 | 2,392,773 | 75.1 |
| 11. | Laramie County Com. Coll. | 3,111,172 | 4,397,080 | 70.8 |
| 12. | Morgan Community College | 420,632 | 636,955 | 66.0 |
| 13. | New Mexico - Carlsbad | 396,500 | 607,370 | 65.3 |
| 14. | Univ. New Mexico - Gallup | 531,600 | 827,398 | 64.3 |
| 15. | E. New Mexico - Roswell | 1,386,100 | 2,163,464 | 64.1 |
| 16. | New Mexico - San Juan | 947,300 | 1,498,095 | 63.2 |
| 17. | Lake Region Junior College | 736,239 | 1,182,896 | 62.2 |
| 18. | Dixie College | 2,508,500 | 4,039,105 | 62.1 |
| 19. | Sheridan College | 1,372,020 | 2,224,405 | 61.7 |
| 20. | College of S. Idaho | 2,383,700 | 4,168,300 | 57.2 median |
| 21. | Flathead Valley Comm. College | 914,331 | 1,627,256 | 56.2 |
| 22. | Central Wyoming | 1,351,940 | 2,505,780 | 54.0 |
| 23. | Eastern Arizona | 2,561,202 | 4,764,369 | 53.8 |
| 24. | North Idaho Community College | 1,817,300 | 3,576,700 | 50.8 |
| 25. | Northeastern Community College | 1,120,093 | 2,189,764 | 49.8 |
| 26. | Dawson Community College | 530,275 | 1,001,422 | 49.3 |
| 27. | Umpqua Community College | 1,797,330 | 3,766,996 | 47.7 |
| 28. | Miles Community College | 547,673 | 1,176,268 | 46.6 |
| 29. | Northwest Community Coll. | 976,964 | 2,303,764 | 42.4 |
| 30. | Treasure Valley Comm. College | 1,021,008 | 2,645,773 | 38.6 |
| 31. | Mohave Community College | 1,080,402 | 2,966,838 | 36.4 |
| 32. | Blue Mountain Comm. College | 1,287,778 | 3,589,419 | 35.9 |
| 33. | Northland Pioneer | 1,212,500 | 3,402,407 | 35.6 |
| 34. | Central Oregon | 1,317,430 | 3,930,907 | 33.5 |
| 35. | Clatsop Community College | 1,045,374 | 3,234,152 | 32.3 |
| 36. | Bismarck Junior College | 1,060,987 | 3,319,273 | 32.0 |
| 37. | Colo. Mountain Coll. E & W | 761,430 | 2,656,902 | 28.7 |
| 38. | Colorado Northwestern | 694,845 | 2,524,012 | 27.5 |
| 39. | New Mexico Junior College | 274,625 | 2,765,001 | 9.9 |
| 40. | Western Wyoming | 225,000 | 2,771,294 | 8.1 |

Table 4
State Revenue as a Percentage of Total Unrestricted
Revenues by State, Rank Ordered, Fiscal 1979

| | |
|--------------|---------------|
| Nevada | 87.1 |
| Washington | 85.2 |
| Utah | 70.5 |
| Colorado | 56.5 |
| Idaho | 54.2 |
| Wyoming | 52.9 (median) |
| Montana | 50.7 |
| New Mexico | 44.9 |
| Arizona | 43.5 |
| North Dakota | 41.1 |
| Oregon | 37.7 |

The committee survey showed that all of Montana's community colleges distributed below the median when the colleges were ranked in terms of percentage of state support for total unrestricted revenues. The data also showed that in terms of percentage of state support Montana ranked seventh of the eleven states surveyed by the committee.

These comparisons, however, were somewhat misleading. Of the eleven states surveyed, three states (Nevada, Washington, and Utah) required no local support for community colleges. The committee elected to compare Montana's level of support for community colleges to states with similar community college revenue structures. The results of the comparison are shown in table 5.

Table 5
State Support as a Percent of Community College
Total Unrestricted Revenues

| | |
|--------------|-------------|
| Colorado | 56.5 |
| Idaho | 54.2 |
| Wyoming | 52.9 |
| Montana | 50.7 Median |
| AVERAGE | 47.6 |
| New Mexico | 44.9 |
| Arizona | 43.5 |
| North Dakota | 41.1 |
| Oregon | 37.7 |

In this comparison, Montana ranked at the median and above average in terms of percentage of state support for total unrestricted community college revenues.

The committee reaffirmed the long standing policy that state funds are not available for community college capital construction projects.

The committee also acknowledged that some of the survey states do participate in funding of community college building projects, and further where state funds are received they serve to offset a portion of the local tax burden. The committee indicated that in the absence of state funding for capital projects, the recommended percentage of state support for the unrestricted budgets of the community colleges might need to be increased. A final recommendation concerning the appropriate level of state support however, was deferred to the legislature.

Scope of the Formula Recommended by Committee

The recommended formula applies to those revenues that finance the total unrestricted budgets of the community colleges. Those revenues include the general fund appropriation, mandatory mill levy, student tuition and fees, retirement levy, one-mill adult education levy, and all

other unrestricted income, revenue, and account balances. The committee incorporated all unrestricted revenues, with the exception of the voted levy, into the formula in an effort to accurately assess the funding requirements and resources of the community colleges. The committee explicitly exempted the voted levy from the provisions of the formula in order to preserve the right of the community college district to support additional services over and above those funded by the formula.

The funding formula recommended by the committee establishes legislative control over community college unrestricted spending. The community colleges could exceed the level of spending authorized by the legislature only upon passage of a voted levy or upon receipt of restricted funds, or fees paid to support community service courses. This recommendation is consistent with prior legislative efforts to limit the level of unrestricted community college spending approved by the board of regents.

Draft Legislation

In accordance with the provisions of HJR 58, the committee "proposed legislation to the 47th legislature concerning changes and refinements" to the laws relating to community college funding. Copies of the original draft legislation, and the enabling legislation HB 69 are included in appendix 5 for reference purposes.

The draft legislation summarized the significant procedural and substantive recommendations endorsed by the committee. Specifically the draft legislation:

1. codified the unit-rate concept of appropriation,
2. clarified the procedures relating to the submission of budget requests and the approval of operating budgets,

3. excluded noncredit courses and credit hours from the student count used for funding purposes,
4. established legislative control over total community college unrestricted spending,
5. exempted voted levies, and other restricted funds from the provisions of the funding formula, and
6. established a formal mechanism to calculate the amounts of the:
 - a. total community college unrestricted budget,
 - b. general fund appropriation, and
 - c. mandatory mill levy.

The committee purposefully omitted reference to specific levels of expenditure per FTE and percentages of state support in the draft legislation. The committee apparently felt that these variables needed to be debated and fixed each session of the legislature. As a result the committee recommended that the level of expenditure per FTE and the percentage of state support be set in the general appropriations act, alleviating the need to amend the codes each succeeding session of the legislature.

Part II - The 47th Legislature

Legislative Action

The 47th legislature adopted the unit-rate funding formula recommended by the committee without significant modification. The enrollments and cost factors applied by the legislature to develop the 1983 biennium appropriation are shown below.

Table 6
Community College Enrollment and Cost Factors
1983 Biennium

| Community College | Enrollment - Projected | | Cost per Student | |
|-------------------|------------------------|--------|------------------|---------|
| | FY '82 | FY '83 | FY '82 | FY '83 |
| Dawson | 310 | 310 | \$3,574 | \$3,895 |
| Flathead Valley | 674 | 651 | 3,155 | 3,435 |
| Miles | 466 | 450 | 3,155 | 3,435 |

The cost per student factors applied to the enrollments at Flathead Valley and Miles community colleges represent inflationary adjustments to the base year expenditure of \$2,490 per FTE identified by the committee. The appropriation for Dawson community college was calculated with higher expenditure rates per FTE. This action was taken in order to phase Dawson onto the formula and to avoid drastic reductions in services.

The general fund finances 53 percent of the total community college unrestricted budget.

Community college enrollments are projected to peak in fiscal 1981. The enrollment figures used to calculate the community college appropriations, with the exception of Dawson which was arbitrarily held at a constant level, reflect a projected decline of approximately 6.2 percent from fiscal 1981 through fiscal 1983.

The legislature elected to restrict revenues generated by the one mill adult education levy rather than use them for the unrestricted budget as recommended by the committee. These funds will be used in addition to community service fees to finance noncredit community service courses.

Part III - The 1983 Biennium Implementation

Total Unrestricted Budgets

Total community college unrestricted spending increased significantly between the 1981 and the 1983 biennium. Table 7 compares the unrestricted budgets of the community colleges by fiscal year for the 1981 and 1983 bienniums.

Table 7
Community College Unrestricted Budgets
Fiscal 1980-1983

| | Fiscal <u>1980</u> | Fiscal <u>1981</u> | Fiscal <u>1982</u> | Fiscal <u>1983</u> | % Change Biennium 1981-1983 |
|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------------|
| Dawson | \$1,014,977 | \$1,026,600 | \$1,209,243 | \$1,207,450 | 18.4 |
| Flathead Valley | 1,614,440 | 1,669,644 | 2,126,470 | 2,236,185 | 32.8 |
| Miles | <u>1,021,911</u> | <u>1,161,844</u> | <u>1,470,230</u> | <u>1,545,750</u> | 38.1 |
| Total | \$3,651,328 | \$3,858,088 | \$4,805,943 | \$4,989,385 | 30.4 |

The increases in unrestricted spending generated by the formula are caused primarily by inflation and converting to an enrollment-driven formula.

The increases in unrestricted spending apparent in table 7 are funded primarily by increases in the general fund appropriation and/or local tax revenues.

General Fund

Table 8 shows that the biennial increases for individual campuses vary, from 14.7 percent at Dawson community college to 50.2 percent at Miles community college.

Table 8
 Community College General Fund
 Appropriations - Percentage Increases
 1981-1983 Biennium

| <u>Community College</u> | Fiscal <u>1980</u> | Fiscal <u>1981</u> | Fiscal <u>1982</u> | Fiscal <u>1983</u> | % Change Biennium 1981-1983 |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------------|
| Dawson | \$ 516,345 | \$ 553,311 | \$ 587,208 | \$ 639,498 | 14.7 |
| Flathead Valley | 911,395 | 975,530 | 1,127,029 | 1,185,178 | 22.5 |
| Miles | <u>512,350</u> | <u>551,907</u> | <u>779,222</u> | <u>819,247</u> | 50.2 |
| Total | \$1,940,090 | \$2,080,748 | \$2,493,459 | \$2,643,923 | 27.8 |

The inordinate increase in the general fund appropriation to Miles community college is attributable to a projected peak in enrollment occurring in fiscal 1981 and an increase in the percentage of state support. Full-time equivalent enrollment at Miles community college increased approximately 20 percent in fiscal 1981. This increase in enrollment influenced the enrollment projections used to develop the appropriations for the current biennium. In addition, the percentage of state support for the unrestricted budget at Miles community college increased from 47.5 percent in fiscal 1981 to 53 percent in fiscal 1982 and fiscal 1983. The percentage of state support for the 1981 unrestricted budget for Miles community college is significantly lower than the percentage of state support for either Dawson or Flathead valley because of voted levies and the availability of other unrestricted revenues. The increases in the general fund appropriations to Dawson and Flathead valley community colleges are moderated primarily by modest increases in enrollment and/or reductions in the percentage of state support for their respective unrestricted budgets. FTE enrollment increased 11.6 percent at Dawson and 10.8 percent at Flathead valley in fiscal 1981. The percentage of state support for the unrestricted budgets at Dawson

and Flathead valley decreased from 53.7 and 58.4 percent, respectively, fiscal 1981 to 53 percent in fiscal 1982.

Distribution of State Support

Implementation of the formula has served to redistribute general fund revenues among the community colleges.

Table 9
Percentage Distribution of the General Fund
Appropriation, by Community College
Fiscal Years 1980-1983

| | 1980 % | 1981 % | 1982 % | 1983 % |
|-----------------|-------------|-------------|-------------|-------------|
| | Total | Total | Total | Total |
| Dawson | 26.6 | 26.6 | 23.5 | 24.2 |
| Flathead Valley | 47.0 | 46.8 | 45.2 | 44.8 |
| Miles | <u>26.4</u> | <u>26.6</u> | <u>31.3</u> | <u>31.0</u> |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

The general fund appropriation to Miles increases somewhat as a percentage of the total, while the appropriations to Dawson and Flathead Valley decrease slightly. This redistribution of general fund revenues is the result of allocating state funds on a per student basis. As table 10 indicates, the appropriation of general fund revenues for the 1983 biennium more closely conforms to the projected distribution of enrollment among the colleges than the actual distribution in the previous biennium.

Table 10
Distribution of General Fund Appropriation Relative to
Enrollment by College, Fiscal Years 1980-1983

| College | 1980 | | 1981 | | 1982 | | 1983 | |
|-----------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
| | % Total Enrollment | % Total Approp. |
| Dawson | 21.6 | 26.6 | 21.3 | 26.6 | 21.4 | 23.5 | 22.0 | 24.2 |
| Flathead Valley | 47.7 | 47.0 | 46.5 | 46.8 | 46.5 | 45.2 | 46.1 | 44.8 |
| Miles | 30.7 | 26.4 | 32.2 | 26.6 | 32.1 | 31.3 | 31.9 | 31.0 |

Finally, table 11 shows that implementation of the formula has served to equalize the general fund appropriation per FTE among the community colleges.

Table 11
General Fund Appropriation per FTE
Fiscal 1980-1983

| College | FY 1980 | FY 1981 | FY 1982 | FY 1983 |
|-----------------|---------|---------|---------|---------|
| Dawson | 1,818 | 1,745 | 1,894 | 2,062 |
| Flathead Valley | 1,274 | 1,147 | 1,672 | 1,820 |
| Miles | 1,456 | 1,406 | 1,672 | 1,820 |

The remaining disparities apparent in tables 10 and 11 reflect the legislature's decision to fund Dawson community college at a slightly higher level through the end of this biennium.

Local Taxes

Implementation of the community college funding formula results in a substantial increase in the local mill levies for all three community colleges. The increases in local taxes are attributable to:

1. increased expenditure levels generated by the formula,
2. modification in the percentage of state support, and
3. relatively stable other local revenue sources.

Table 12 compares the total taxes levied to support the unrestricted budgets of the community colleges by county for fiscal 1981 and fiscal 1982.

Table 12
Local Taxes to Support Community Colleges
Fiscal 1981-1982

| <u>County</u> | <u>FY81</u> | <u>FY82</u> | <u>Increase Amount</u> | <u>Percent Increase</u> |
|----------------|-------------|-------------|------------------------|-------------------------|
| Dawson | 393,182 | 536,738 | 143,556 | 36.5 |
| Flathead | 457,323 | 782,441 | 325,118 | 71.1 |
| Custer (Miles) | 425,128 | 546,825 | 121,697 | 28.6 |

Local taxes increase most noticeably at Flathead Valley community college. This rise in Flathead's levied amount is due to increased spending generated by the formula, the majority of which is funded locally. This increase in local tax revenues is due to a shift in the percentage of state support for the unrestricted budget at Flathead Valley community college. The percentage of state support for Flathead's unrestricted budget decreases from 58 percent in fiscal 1981 to 53 percent in fiscal 1982. The large increase in local taxes at Flathead also reflects the colleges inability to pass voted levies.

Even with the increase in total local taxes attributable to the formula, the number of mills levied in Flathead county will remain substantially less than the number of mills levied in either Custer or Dawson counties. This reflects the fact that the value of one mill in Flathead county has approximately four times the value of a mill in either Custer or Dawson counties.

Table 13
Number of Mills Levied for Community Colleges
Fiscal 1981-1982*

| <u>County</u> | <u>FY '81</u> | <u>FY '82</u> |
|---------------|---------------|---------------|
| Dawson | 19.44 | 25.55 |
| Flathead | 5.64 | 9.66 |
| Custer | 21.00 | 26.03 |

*Does not include bonded indebtedness or the one mill adult education levy.

The amounts of local taxes necessary to fund the unrestricted budgets are calculated by subtracting the general fund appropriation and estimates of other unrestricted revenues, primarily student tuition and fees, from the amount of the unrestricted budget. Increases in tuition and fee collection serve to offset local tax levies on a dollar for dollar basis. As table 14 indicates the colleges project tuition and fee collections to remain fairly constant between fiscal 1981 and fiscal 1982. As a consequence, the majority of increased local spending is absorbed by the mandatory levy.

Table 14
Actual and Projected Tuition and Fees Collection
Fiscal 1981 and 1982

| | <u>1981 Actual</u> | <u>1982 Projected</u> |
|-----------------|------------------------|---------------------------|
| Dawson | \$ 64,297 | \$ 73,297 |
| Flathead Valley | 165,000 | 175,000 |
| Miles | 115,022 | 131,883 |

If tuition and fee collection exceed projections the excess shall be used to reduce the mandatory levy in fiscal 1983.

The spending levels generated by the formula were designed to provide the colleges with adequate operational budgets from current unrestricted revenues without voted levies. In addition, teacher retirement expenses, which were formerly financed by a separate retirement levy, have been included as an expense of the unrestricted budget. These changes have resulted in a significant expansion in the mandatory mill levy of the community college district. Table 15 compares tax levies for fiscal 1981 and fiscal 1982.

Table 15
Tax Levies for Fiscal 1981 and Fiscal 1982*

| <u>Dawson</u> | | | |
|-----------------------|---------------|---------------|-------------------|
| <u>Levy</u> | <u>FY '81</u> | <u>FY '82</u> | <u>% Increase</u> |
| Mandatory Levy | \$235,690 | \$435,435 | 84.7 |
| Retirement Levy | 89,235 | -0- | (100.0) |
| Total Nonvoted Levies | 324,925 | 435,435 | 34.0 |
| Voted Levy | 68,257 | 101,303 | 48.4 |
| Total Taxes | \$393,182 | \$536,238 | 36.5 |

| <u>Flathead Valley</u> | | | |
|------------------------|---------------|---------------|-------------------|
| <u>Levy</u> | <u>FY '81</u> | <u>FY '82</u> | <u>% Increase</u> |
| Mandatory Levy | \$360,323 | \$782,441 | 117.2 |
| Retirement Levy | 97,000 | -0- | (100.0) |
| Total Nonvoted Levies | 457,323 | 782,441 | 71.1 |
| Voted Levy | -0- | -0- | 0.0 |
| Total Taxes | \$457,323 | \$782,441 | 71.1 |

| <u>Miles</u> | | | |
|-----------------------|---------------|---------------|-------------------|
| <u>Levy</u> | <u>FY '81</u> | <u>FY '82</u> | <u>% Increase</u> |
| Mandatory Levy | \$232,467 | \$546,825 | 135.2 |
| Retirement Levy | 101,235 | -0- | (100.0) |
| Total Nonvoted Levies | 333,702 | 546,825 | 63.9 |
| Voted Levy | 91,426 | -0- | (100.0) |
| Total Taxes | \$425,128 | \$546,825 | 28.6 |

*Does not include adult education levy or bonded indebtedness.

This increase is significant to note because the amount of the mandatory mill levy is not subject to voter approval.

Total Budget Changes

The formula generates increases in the level of total spending at all three colleges. The distributional impacts of these increases, however, vary by campus. Specifically, at Miles community college it appears that the general fund has financed the majority of the increases in total spending generated by the formula. Conversely, it appears that the majority of the increases in total spending occurring at Dawson and Flathead Valley community colleges have been funded from local tax revenues. Table 16 summarizes the distributional impacts of the formula on the general fund and local tax revenues by college for fiscal 1981 and fiscal 1982.

Table 16
Summary of Distributional Impacts
by College, by Revenue for Fiscal 1981 and 1982

Dawson

| | % Total Unrestricted Budget FY '81 | % Total Unrestricted Budget FY '82 | \$ Amount Appropriation/Levy FY '81 | \$ Amount Appropriation/Levy FY '82 | Increase Amount |
|--------------------|--|--|---|---|--------------------|
| General Fund | 53.9 | 48.5 | \$ 553,311 | \$ 587,208 | \$ 33,897 |
| Local Taxes | 38.3 | 44.3* | 393,182 | 536,738* | 143,556 |
| Total Unrestricted | 100.0 | 100.0 | \$1,026,600 | \$1,209,243 | \$182,643 |

*Included Voted Levy

Flathead Valley

| | % Total Unrestricted Budget FY '81 | % Total Unrestricted Budget FY '82 | \$ Amount Appropriation/Levy FY '81 | \$ Amount Appropriation/Levy FY '82 | Increase Amount |
|--------------------|--|--|---|---|--------------------|
| General Fund | 58.4 | 53.0 | \$ 975,530 | \$ 1,127,029 | \$151,499 |
| Local Tax | 27.4 | 36.7 | 457,323 | 782,441 | 325,118 |
| Total Unrestricted | 100.0 | 100.0 | \$1,669,644 | \$2,126,470 | \$456,826 |

Miles

| | % Total Unrestricted Budget | | \$ Amount Appropriation/Levy | | Increased Amount |
|--------------------|-----------------------------|--------|------------------------------|-------------|------------------|
| | FY '81 | FY '82 | FY '81 | FY '82 | |
| General Fund | 47.5 | 53.0 | \$ 551,907 | \$ 779,222 | \$227,315 |
| Local Tax | 36.6 | 37.2 | 425,128 | 546,825 | 121,697 |
| Total Unrestricted | 100.0 | 100.0 | \$1,161,844 | \$1,470,230 | \$308,386 |

The distributional impacts of the formula appear to be directly related to the modification of percentage of state support. Where the percentage of state support for the college's unrestricted budget increased between fiscal 1981 and fiscal 1982 (Miles) the general fund absorbed the majority of the increase generated by the formula. In those instances where the percentage of state support decreased (Dawson and Flathead valley) the majority of the increase in total spending were borne locally.

Summary of Committee Recommendations

1. Community colleges should be funded according to the public school or unit-rate concept of appropriation.
2. The unrestricted budget of the community college should be based on a calculated cost per full-time equivalent student. Calculation of full-time equivalent students should include only those credit hours accepted by the college toward the completion of degree requirements.
3. The general fund appropriation shall finance a specific percentage of the unrestricted budget. The percentage of state support should be included in the appropriation act, rather than in the codes.
4. The calculation of the mandatory mill levy should be the product of the formula calculation.
5. Retirement expenses should be included as an expense of the unrestricted budget.
6. All community college spending, other than from restricted funds or funds generated by an optional, voted levy, should be controlled by the provisions of the appropriation act.
7. Revenues financing the unrestricted budget of the community college include the general fund appropriation, estimates of student tuition and fees, the mandatory mill levy, the one mill adult education levy, and all other unrestricted income, revenue, and balances. The legislature subsequently excluded the adult education levy from the unrestricted budget.
8. The voted levy is the perogative of the local district. A district may elect to tax itself to provide services beyond those funded by the formula.
9. State funds shall not be used to finance community college capital construction projects.

Budget Scenarios Under "65:35" Formula

Section 20-15-302 requires the community college board of trustees to adopt an annual operating budget "for the general maintenance and operation of the community college district." This budget is submitted to the board of regents for their approval. The annual operating budget approved by the board of regents represents a budget request which is incorporated into the executive budget and transmitted to the legislature. The budget approved by the board of regents for Miles community college for fiscal year 1980 recommended the following 65:35 budget:

Table 1
Regents-Approved Budget

| | | |
|---------------------------|----------------|------------|
| Student Tuition and Fees | \$ 83,275 | 35% |
| Mandatory Mill Levy | 268,363 | |
| State Appropriation | <u>653,042</u> | <u>65%</u> |
| Total General Fund Budget | \$1,004,680 | 100% |

The legislature appropriated \$512,350 to Miles community college for fiscal year 1980 and provided that "the above appropriation provides 65% of the respective operating budgets that shall be approved by the board of regents pursuant to 20-15-302 and 20-15-303." This language restricts the mandatory mill levy of the community college districts. The annual operating budget for Miles community college anticipated by the legislature for fiscal year 1980 provides for the following 65:35 budget:

Table 2
Legislative Budget

| | | |
|---------------------------|----------------|------------|
| Student Tuition and Fees | \$ 65,000 | 35% |
| Mandatory Mill Levy | 211,669 | |
| State Appropriation | <u>512,350</u> | <u>65%</u> |
| Total General Fund Budget | \$789,019 | 100% |

The community colleges contend that the annual operating budget of a community college district should be funded from the levels of local support approved by the board of regents in its budget request and the general fund appropriation provided by the legislature. According to this interpretation of 65:35 the fiscal year 1980 budget for Miles community college would be:

Table 3
Colleges' Budget

| | | |
|---------------------------|----------------|------------|
| Student Tuition and Fees | \$ 83,275 | 40% |
| Mandatory Mill Levy | 268,363 | |
| State Appropriation | <u>512,350</u> | <u>60%</u> |
| Total General Fund Budget | \$862,988 | 100% |

Finally, the statutes provide that the trustees of the community college district "may elect to adopt a general fund budget in excess of the budget funded by the legislature." To do this, the trustees must submit an additional mill levy proposition to the voters of the community college district. The budget adopted by the trustees of Miles community college for fiscal year 1980 provides for the following 65:35 budget:

Table 4
Trustees' Budget

| | | |
|---------------------------|----------------|------------|
| Student Tuition and Fees | \$ 65,000 | 31% |
| Mandatory Mill Levy | 211,669 | |
| Voted Levy | 93,929 | 11% |
| State Appropriation | <u>512,350</u> | <u>58%</u> |
| Total General Fund Budget | \$882,948 | 100% |

The variety of budget scenarios and the attendant fiscal consequences are due in large part to inconsistencies in the laws pertaining to community college financing. At the present time, the community college financing laws are something of a patchwork with language contained in the general appropriations act necessary to provide continuity and clarity to the statute.



A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING THE LEGISLATIVE COMMITTEE ON PRIORITIES TO APPOINT A JOINT COMMITTEE TO CONDUCT AN INTERIM STUDY ON THE FUNDING OF THE MONTANA UNIVERSITY SYSTEM AND COMMUNITY COLLEGE DISTRICTS.

WHEREAS, the Montana Legislature recognizes the special funding problems of the Montana university system and the community college districts; and

WHEREAS, the existing formulas for funding the six units of the university system and the community college districts are in need of critical reevaluation and refinement; and

WHEREAS, any reevaluation of funding for the university system or community college districts should involve the participation of all parties with an interest in higher education.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Committee on Priorities is requested to appoint a joint committee to conduct an interim study and present recommendations and proposed legislation to the 47th Legislature concerning changes and refinements in funding formulas that would promote efficiency and effectiveness in the Montana university system and among the community college districts.

BE IT FURTHER RESOLVED, that the Commissioner of Higher

Education, the coordinator of community college districts, community college district trustees, the administration, faculty, and students of the units of the Montana university system and the community colleges, the office of the Governor, and the staff of the Legislative Fiscal Analyst are requested to make available to the study committee the resources of their respective offices.

**Community College Survey: Expenditure Per FTE
by Aggregate Category of Expense for Survey Population**

| | Credit Hour | * FTE 1978-79 | Instruction Expend. FY 1979 | Support Expend. FY 1979 | Total Expend. (Unrestrict.) FY 1979 | Total Expend. Per FTE |
|----------------------------|----------------|------------------|-----------------------------------|-------------------------------|--|-----------------------------|
| Arizona | | | | | | |
| Eastern Ariz. Com. College | 55,350 | 1,845 | 2,014,444 | 2,012,967 | 4,027,411 | 2,183 |
| Mohave Community College | 35,940 | 1,198 | 1,424,799 | 1,226,568 | 2,651,367 | 2,213 |
| Northern Pioneer College | 42,420 | 1,414 | 1,484,691 | 1,269,875 | 2,754,566 | 1,948 |
| Total Arizona | 133,710 | 4,457 | 4,923,934 | 4,509,410 | 9,433,344 | 2,117 |
| Colorado | | | | | | |
| Colorado Mtn. Coll.-West | 23,036 | 512 | 849,944 | 517,996 | 1,367,940 | 2,672 |
| Colorado Mtn. Coll.-East | 20,304 | 451 | 615,520 | 443,208 | 1,058,728 | 2,348 |
| Colorado Northwestern | 25,227 | 841 | 1,264,853 | 1,096,895 | 2,361,748 | 2,808 |
| Morgan Community College | 12,748 | 284 | 308,536 | 269,247 | 577,783 | 2,034 |
| Northeastern Com. Coll. | 60,485 | 1,344 | 1,684,965 | 946,517 | 2,631,482 | 1,958 |
| Otero Junior College | 26,773 | 595 | 837,897 | 674,266 | 1,512,163 | 2,541 |
| Trinidad State Jr. Coll. | 52,115 | 1,158 | 1,346,683 | 1,001,989 | 2,348,672 | 2,028 |
| Total Colorado | | 5,185 | 6,908,398 | 4,950,118 | 11,858,516 | 2,287 |
| New Mexico | | | | | | |
| E. New Mexico - Roswell | 28,197 | 939 | 1,128,621 | 1,111,148 | 2,239,769 | 2,385 |
| New Mex. State-San Juan | 25,858 | 861 | 885,864 | 726,011 | 1,611,875 | 1,872 |
| New Mex. State-Carlsbad | 10,353 | 345 | 319,314 | 388,345 | 707,659 | 2,051 |
| New Mex. Junior College | 28,106 | 937 | 1,185,724 | 1,318,432 | 2,504,156 | 2,673 |
| Univ. of New Mex.-Gallup | 10,802 | 360 | 349,645 | 332,498 | 682,143 | 1,895 |
| Total New Mexico | | 3,342 | 3,869,168 | 3,876,434 | 7,745,602 | 2,250 |
| North Dakota | | | | | | |
| Bismarck Junior College | 54,713 | 1,823 | 2,430,915 | 1,035,558 | 3,466,473 | 1,902 |
| Lake Region Jr. College | 18,402 | 613 | 929,629 | 421,938 | 1,351,567 | 2,205 |
| Univ. N. Dak. - Williston | 17,388 | 580 | 773,823 | 313,704 | 1,087,527 | 1,875 |
| Total North Dakota | | 3,016 | 4,134,367 | 1,771,200 | 5,905,567 | 1,958 |
| Utah | | | | | | |
| College of Eastern Utah | 26,097 | 580 | 764,488 | 1,392,676 | 2,157,164 | 3,719 |
| Dixie College | 49,152 | 1,092 | 1,415,614 | 1,560,278 | 2,975,892 | 2,725 |
| Snow College | 40,346 | 897 | 1,088,900 | 1,692,500 | 2,781,400 | 3,101 |
| Total Utah | | 2,569 | 3,269,002 | 4,645,454 | 7,914,456 | 3,081 |
| Nevada | | | | | | |
| Northern Nev. Comm. Coll. | 11,088 | 367 | 331,124 | 426,142 | 757,266 | 2,063 |
| Total Nevada | | 367 | 331,124 | 426,142 | 757,266 | 2,063 |

| | Credit Hour | * FTE 1978-79 | Instruction Expend. FY 1979 | Support Expend. FY 1979 | Total Expend. (Unrestrict) FY 1979 | Total Expend. Per FTE |
|-----------------------------|----------------|------------------|-----------------------------------|-------------------------------|---|-----------------------------|
| Washington | | | | | | |
| Grays Harbor Comm. Coll. | 59,198 | 1,316 | 1,501,466 | 1,541,831 | 3,043,277 | 2,313 |
| Peninsula College | 50,979 | 1,133 | 1,389,020 | 1,167,776 | 2,556,796 | 2,257 |
| Wenatchee Valley Com. Coll. | 82,793 | 1,840 | 1,863,768 | 1,871,760 | 3,735,528 | 2,030 |
| Whatcom Community Coll. | 45,628 | 1,014 | 970,026 | 1,313,092 | 2,283,118 | 2,252 |
| Total Washington | | 5,303 | 5,724,260 | 5,894,459 | 11,618,719 | 2,191 |
| Wyoming | | | | | | |
| Central Wyoming College | 13,504 | 450 | 878,268 | 1,120,659 | 1,998,922 | 4,442 |
| Eastern Wyoming College | 14,336 | 478 | 685,596 | 933,943 | 1,619,539 | 3,388 |
| Laramie County Com. Coll. | 36,308 | 1,210 | 2,263,804 | 1,947,849 | 4,211,653 | 3,481 |
| Northwest Community Coll. | 24,821 | 827 | 1,468,630 | 1,262,090 | 2,730,720 | 3,302 |
| Sheridan College | 14,145 | 472 | 1,321,003 | 731,696 | 2,052,699 | 4,349 |
| Western Wyoming College | 18,352 | 612 | 1,076,555 | 1,478,108 | 2,554,663 | 4,174 |
| Total Wyoming | | 4,049 | 7,693,856 | 7,474,345 | 15,168,196 | 3,746 |
| Montana | | | | | | |
| Dawson Community College | 14,785 | 329 | 479,950 | 493,162 | 973,112 | 2,958 |
| Flathead Valley Com. Coll. | 31,729 | 705 | 806,967 | 676,163 | 1,483,130 | 2,104 |
| Miles Community College | 17,951 | 399 | 516,028 | 596,050 | 1,112,078 | 2,787 |
| Total Montana | | 1,433 | 1,802,945 | 1,765,375 | 3,568,320 | 2,490 |
| TOTAL REGION | | 28,759 | 38,657,049 | 35,312,937 | 71,098,896 | 2,472 |

**Community College Survey: State Revenues -
Total Unrestricted Revenues by Survey Population**

| | <u>State Support FY-1979</u> | <u>Total Unrestricted Revenues FY-1979</u> | <u>% State Support of Total Unrestricted Revenues</u> |
|---------------------------------|----------------------------------|--|---|
| Arizona | | | |
| Eastern Arizona Community Coll. | 2,561,202 | 4,764,369 | 53.8 |
| Mohave Community College | 1,080,402 | 2,966,838 | 36.4 |
| Northland Pioneer College | 1,212,500 | 3,402,407 | 35.6 |
| Total Arizona | 4,854,104 | 11,133,614 | 43.6 |
| Colorado | | | |
| Colorado Mtn. College-West | 411,970 | 1,446,407 | 28.4 |
| Colorado Mtn. College-East | 349,460 | 1,210,495 | 28.9 |
| Colorado Northwestern | 694,845 | 2,524,012 | 27.5 |
| Morgan Community College | 420,632 | 636,955 | 66.0 |
| Northeastern Community College | 1,120,093 | 2,189,764 | 49.8 |
| Otero Junior College | 1,345,095 | 1,712,487 | 78.6 |
| Trinidad State Junior College | 1,795,943 | 2,392,773 | 75.1 |
| Total Colorado | 6,138,038 | 12,112,893 | 50.6 |
| Idaho | | | |
| College of Southern Idaho | 2,383,700 | 4,168,300 | 57.2 |
| North Idaho Community College | 1,817,300 | 3,576,700 | 50.8 |
| Total Idaho | 4,201,000 | 7,745,000 | 54.2 |
| New Mexico | | | |
| E. New Mexico - Roswell | 1,386,100 | 2,163,464 | 64.1 |
| New Mexico State - San Juan | 947,300 | 1,498,095 | 63.2 |
| New Mexico State - Carlsbad | 396,500 | 607,370 | 65.3 |
| New Mexico Junior College | 274,625 | 2,765,001 | 9.9 |
| Univ. of New Mexico - Gallup | 531,600 | 827,398 | 64.3 |
| Total New Mexico | 3,536,125 | 7,861,328 | 44.9 |
| North Dakota | | | |
| Bismarck Junior College | 1,060,987 | 3,319,273 | 32.0 |
| Lake Region Junior College | 736,239 | 1,182,896 | 62.2 |
| Univ. of N. Dakota - Williston | 418,861 | 887,351 | 47.2 |
| Total North Dakota | 2,216,087 | 5,389,520 | 41.1 |
| Oregon | | | |
| Blue Mountain Community Coll. | 1,287,778 | 3,589,419 | 35.9 |
| Central Oregon Community Coll. | 1,317,430 | 3,930,907 | 33.5 |
| Clatsop Community College | 1,045,374 | 3,234,152 | 32.3 |
| Treasure Valley Com. College | 1,021,008 | 2,645,773 | 38.6 |
| Umpqua Community College | 1,797,330 | 3,766,996 | 47.1 |
| Total Oregon | 6,468,920 | 17,167,247 | 37.7 |

| | <u>State Support FY-1979</u> | <u>Total Unrestricted Revenues FY-1979</u> | <u>% State Support of Total Unrestricted Revenues</u> |
|-----------------------------------|------------------------------|--|---|
| <u>Utah</u> | | | |
| College of Eastern Utah | 2,044,521 | 2,527,364 | 80.9 |
| Dixie College | 2,508,500 | 4,039,105 | 62.1 |
| Snow College | 2,602,801 | 3,113,680 | 83.6 |
| Total Utah | 7,155,822 | 9,680,149 | 73.9 |
| <u>Nevada</u> | | | |
| Northern Nevada Community Coll. | 681,957 | 782,597 | 87.1 |
| Total Nevada | 681,957 | 782,597 | 87.1 |
| <u>Washington</u> | | | |
| Grays Harbor Community College | 2,611,058 | 3,030,784 | 86.2 |
| Peninsula College | 2,211,970 | 2,588,670 | 85.5 |
| Wenatchee Valley Comm. College | 3,066,762 | 3,674,101 | 83.5 |
| Whatcom Community College | 1,756,229 | 2,026,677 | 86.7 |
| Total Washington | 9,646,019 | 11,320,232 | 85.2 |
| <u>Wyoming</u> | | | |
| Central Wyoming College | 1,351,940 | 2,505,780 | 54.0 |
| Eastern Wyoming College | 1,427,620 | 1,801,071 | 79.3 |
| Laramie County Comm. College | 3,111,172 | 4,397,080 | 70.8 |
| Northwest Community College | 976,964 | 2,303,764 | 42.4 |
| Sheridan College | 1,372,020 | 2,224,405 | 61.7 |
| Western Wyoming College | 225,000 | 2,771,294 | 8.1 |
| Total Wyoming | 8,464,716 | 16,003,394 | 52.9 |
| <u>Montana</u> | | | |
| Dawson Community College | 530,275 | 1,075,217 | 49.3 |
| Flathead Valley Community College | 914,331 | 1,629,256 | 56.2 |
| Miles Community College | 547,673 | 1,227,768 | 44.6 |
| Total Montana | 1,992,279 | 3,930,241 | 50.7 |
| TOTAL REGION | 54,037,637 | 99,195,308 | 54.5 |

Draft of Community College Funding Bill

A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY THE APPROPRIATING AND BUDGETING PROCEDURES RELATING TO COMMUNITY COLLEGES; AMENDING 20-15-403 and 20-15-404 AND REPEALING 20-15-302, 20-15-303, 20-15-306, AND 20-15-307."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Proposed Budget. The board of trustees of a community college district shall submit a proposed budget to the board of regents by August 15 immediately preceding a regular legislative session. The proposed budget shall be for the next biennium and in a form approved by the state budget director and the commissioner of higher education and shall be calculated in the same manner as the operating budget described in section 4. The board of regents shall review the proposed budget and all its components and make any changes it determines necessary. By the following September 1, the board of regents shall submit its proposal for funding the community colleges to the budget director and the legislative fiscal analyst.

Section 2. Appropriation. It is the intent of the legislature that all community college spending, other than from restricted funds or funds generated by an optional, voted levy, be controlled under provisions of the appropriations act. The unrestricted budget shall be based on a calculated dollar amount per full-time equivalent student. The student count shall not include those enrolled in recreational or hobby courses.

Section 3. Funding sources. The annual operating budget of a community college district shall be financed from the following sources:

1. the estimated revenues to be realized from student tuition and fees except those related to hobby or recreational courses as determined by the board of regents;
2. a mandatory mill levy on the community college district;
3. the one mill adult education levy authorized under provisions of 20-15-305;
4. the state general fund appropriation;
5. an optional voted levy on the community college district which shall be submitted to the electorate in accordance with general school election laws.
6. all other income, revenue, balances or reserves not restricted by a source outside the community college district to a specific purpose;
7. income, revenue, balances or reserves restricted by a source outside the community college district to a specific purpose. Student fees paid for hobby or recreational courses as determined by the board of regents shall be considered restricted to a specific purpose.

Section 4. Calculation and approval of operating budget. Annually by June 15, the board of trustees of a community college district shall submit to the board of regents in a form acceptable to the board of regents an operating budget which shall be calculated and presented as follows:

1. The general appropriations act shall specify for each college the factor which, when multiplied by the general fund appropriation, yields the total unrestricted spending authority.

2. An estimate of items 1, 3 and 6 of section 3 shall be added to item 4 of section 3 and the total subtracted from the total unrestricted spending authority. The difference shall be obtained by a mandatory levy.

3. The totals of items 1, 2, 3, 4, and 6 of section 3 shall be the amount of the unrestricted budget. A detailed expenditure schedule shall be submitted for the unrestricted budget.

4. The amount estimated to be raised by the voted levy shall be detailed separately in an expenditure schedule.

5. The spending of each restricted funding source shall be detailed separately in an expenditure schedule.

6. The expenditure schedules provided in items 3, 4 and 5 of this section shall be aggregated into the total community college budget.

7. In the event that revenues to the unrestricted budget exceed estimates, the excess shall be used to reduce the mandatory levy in the subsequent year.

The board of regents shall review the proposed total operating budget and all its components and make any changes it determines necessary. A board of trustees of a community college district shall operate within the limits of the operating budget approved by the board of regents.

Section 5. Tax Levy. On the second Monday in August, the board of county commissioners of any county where a community college district is located shall fix and levy a tax on all the real and personal property within the community college district at the rate required to finance the mandatory mill levy prescribed by section 4, item 2 and the voted levy prescribed in section 3, item 5 if one has been approved by the voters. When a community college district has territory in more than one county,

the board of county commissioners in each county shall fix and levy the community college district tax on all the real and personal property of the community college district situated in its county.

Section 6. Section 20-15-403 MCA is amended as follows:

"20-15-403. Applications of other school district provisions.

(1) When the term "school district" appears in the following sections outside of Title 20, the term includes community college districts and the provisions of those sections applicable to school districts apply to community college districts: 2-9-101, 2-9-111, 2-9-316, 2-16-114, 2-16-602, 2-16-614, 2-18-703, 7-3-1101, 7-6-2604, 7-6-2801, 7-7-123, 7-8-2214, 7-8-2215, 7-8-2216, 7-11-103, 7-12-4106, 7-13-110, 7-13-210, 7-15-4206, 10-1-703, 15-1-101, 15-6-204, 15-16-101, 15-16-601, 15-18-108, 15-24-502, 15-24-505, 15-30-221, 15-55-106, 15-70-301, 15-70-322, 17-5-101, 17-5-202, 17-6-103, 17-6-204, 17-6-213, 17-7-201, 18-1-102, 18-1-105, 18-1-112, 18-1-201, 18-2-101, 18-2-103, 18-2-113, 18-2-114, 18-2-115, 18-2-404, 18-2-408, 18-5-205, 19-1-102, 19-1-602, 19-1-811, 22-1-309, 25-1-402, 27-18-406, 33-20-1104, 39-3-104, 39-4-107, 39-31-103, 39-31-304, 39-71-116, 39-71-117, 39-71-2106, 39-71-2206, 40-6-237, 40-8-124, 40-8-125, 40-8-128, 41-5-912, 49-3-101, 49-3-102, 53-20-304, 77-3-321, 82-10-201, 82-10-202, 82-10-203, 85-7-2158, and 90-6-208 and Rules 4D(2)(g) and 15(c), M.R.Civ.P., as amended.

(2) When the term "school district" appears in a section outside of Title 20 but the section is not listed in subsection (1), the school district provision does not apply to a community college district."

Section 7. Section 20-15-404 MCA is amended as follows:

"20-15-404. Trustees to adhere to certain other laws. Unless the context clearly indicates otherwise, the trustees of a community college district shall:

- (1) adhere to the teachers' retirement provisions of Title 19, chapter 4, as amended;
- (2) adhere to the provisions of 20-1-201, 20-1-205, 20-1-211, and 20-1-212, as amended;
- (3) adhere to the school property provisions of 20-6-605, 20-6-621, 20-6-622, 20-6-624, 20-6-631, and 20-6-633 through 20-6-636, as amended;
- (4) adhere to the adult education provisions of 20-7-701 through 20-7-712, as amended;
- (5) adhere to the administration of finances provisions of 20-9-115 20-9-134, subsections (2), (3), (4), and (5) of 20-9-161, 20-9-163, 20-9-165, 20-9-207 through 20-9-210, 20-9-215, and 20-9-221 through 20-9-224, as amended;
- (6) adhere to the school bond provisions of 20-9-401 through 20-9-412, 20-9-421 through 20-9-446, 20-9-451 through 20-9-456, and 20-9-461 through 20-9-465, as amended;

- (7) adhere to the special purpose funds provisions of 20-9-501 through 20-9-502, 20-9-503, 20-9-507, 20-9-508, and 20-9-511, as amended;
- (8) adhere to the educational cooperative agreements provisions of 20-9-701 through 20-9-704, as amended;
- (9) adhere to the school elections provisions of Title 20, chapter 20, as amended;
- (10) adhere to the students' rights provisions of 20-25-511 through 20-25-516, as amended; and
- (11) adhere to the health provisions of 50-1-206.

Section 7. Repealer. Sections 20-15-302, 20-15-303, 20-15-306, and 20-15-307 are repealed.



AN ACT TO REVISE THE APPROPRIATION AND BUDGET PROCEDURES RELATING TO COMMUNITY COLLEGES; AMENDING SECTIONS 20-15-403 AND 20-15-404, MCA; AND REPEALING SECTIONS 20-15-302, 20-15-303, 20-15-306, AND 20-15-307, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Proposed budget. The board of trustees of a community college district shall submit a proposed budget to the board of regents by August 15 immediately preceding each regular legislative session. The proposed budget shall be for the next biennium and in a form approved by the state budget director and the commissioner of higher education and shall be calculated in the same manner as the operating budget described in [section 4]. The board of regents shall review the proposed budget and all its components and make any changes it determines necessary. By the following September 1, the board of regents shall submit its proposal for funding the community colleges to the budget director and the legislative fiscal analyst.

Section 2. Appropriation. It is the intent of the legislature that all community college spending, other than from restricted funds or funds generated by an optional, voted levy, be controlled under provisions of the state general appropriations act. The unrestricted budget shall be based on a calculated dollar amount per full-time equivalent student. The student count may not include those enrolled in community service courses as defined by

the board of regents.

Section 3. Funding sources. The annual operating budget of a community college district shall be financed from the following sources:

- (1) the estimated revenues to be realized from student tuition and fees, except those related to community service courses as defined by the board of regents;
- (2) a mandatory mill levy on the community college district;
- (3) the 1-mill adult education levy authorized under provisions of 20-15-305;
- (4) the state general fund appropriation;
- (5) an optional voted levy on the community college district that shall be submitted to the electorate in accordance with general school election laws;
- (6) all other income, revenue, balances, or reserves not restricted by a source outside the community college district to a specific purpose;
- (7) income, revenue, balances, or reserves restricted by a source outside the community college district to a specific purpose. Student fees paid for community service courses as defined by the board of regents shall be considered restricted to a specific purpose.

Section 4. Calculation and approval of operating budget.

- (1) Annually by June 15, the board of trustees of a community college shall submit an operating budget to the board of regents

for their review. The operating budget of the community college shall be financed in the following manner:

(a) General fund appropriation. The general fund appropriation shall represent a specific percentage of the total unrestricted budget authorized by the legislature and approved by the regents. This percentage shall be specified in the appropriations act appropriating funds to the community colleges for each biennium.

(b) An estimate of revenues to be generated by student tuition and fees, and all other unrestricted income, revenues, or balances shall be added to the state general fund appropriation and the total subtracted from the total unrestricted budget. The difference shall be obtained by a mandatory levy.

(c) The funding obtained in subsection (b) of subsection (1) is the amount of the unrestricted budget. A detailed expenditure schedule for the unrestricted budget shall be submitted to the board of regents for their review and approval.

(d) The amount estimated to be raised by the voted levy shall be detailed separately in an expenditure schedule.

(e) The spending of each restricted funding source shall be detailed separately in an expenditure schedule.

(f) The expenditure schedules provided in subsections (c), (d), and (e) of subsection (1) shall represent the total operating budget of the community college.

(g) If revenues to the unrestricted budget exceed estimates,

the excess shall be used to reduce the mandatory levy in the subsequent year.

(2) The board of regents shall review the proposed total operating budget and all its components and make any changes it determines necessary. A board of trustees of a community college district shall operate within the limits of the operating budget approved by the board of regents.

Section 5. Tax levy. On the second Monday in August, the board of county commissioners of any county where a community college district is located shall fix and levy a tax on all the real and personal property within the community college district at the rate required to finance the mandatory mill levy prescribed by subsection (1)(b) of [section 4] and the voted levy prescribed by subsection (5) of [section 3] if one has been approved by the voters. When a community college district has territory in more than one county, the board of county commissioners in each county shall fix and levy the community college district tax on all the real and personal property of the community college district situated in its county.

Section 6. Section 20-15-403, MCA, is amended to read:

"20-15-403. Applications of other school district provisions. (1) When the term "school district" appears in the following sections outside of Title 20, the term includes community college districts and the provisions of those sections applicable to school districts apply to community college

districts: 2-9-101, 2-9-111, 2-9-316, 2-16-114, 2-16-602,
2-16-614, 2-18-703, 7-3-1101, 7-6-2604, 7-6-2801, 7-7-123,
7-8-2214, 7-8-2215, 7-8-2216, 7-11-103, 7-12-4106, 7-13-110,
7-13-210, 7-15-4206, 10-1-703, 15-1-101, 15-6-204, 15-16-101,
15-16-601, 15-18-108, 15-30-221, 15-55-106, 15-70-301, 15-70-322,
17-5-101, 17-5-202, 17-6-103, 17-6-204, 17-6-213, 17-7-201,
18-1-102, 18-1-105, 18-1-112, 18-1-201, 18-2-101, 18-2-103,
18-2-113, 18-2-114, 18-2-404, 18-2-408, 18-5-205, 19-1-102,
19-1-602, 19-1-811, 22-1-309, 25-1-402, 27-18-406, 33-20-1104,
39-3-104, 39-4-107, 39-31-103, 39-31-304, 39-71-116, 39-71-117,
39-71-2106, 39-71-2206, 40-6-237, 41-5-912, 49-3-101, 49-3-102,
53-20-304, 77-3-321, 82-10-201, 82-10-202, 82-10-203, 85-7-2158,
and 90-6-208 and Rules 40(2)(q) and 15(c), M.R.Civ.P., as amended.

(2) When the term "school district" appears in a section outside of Title 20 but the section is not listed in subsection (1), the school district provision does not apply to a community college district."

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(4) adhere to the adult education provisions of 20-7-701 through 20-7-712, as amended;

(5) adhere to the administration of finances provisions of 20-9-115, 20-9-134, subsections (2), (3), (4), and (5) of 20-9-161, 20-9-163, 20-9-165, 20-9-207 through 20-9-210, 20-9-215, and 20-9-221 through 20-9-224, as amended;

(6) adhere to the school bond provisions of 20-9-401 through 20-9-412, 20-9-421 through 20-9-446, 20-9-451 through 20-9-456, and 20-9-461 through 20-9-465, as amended;

(7) adhere to the special purpose funds provisions of 20-9-502, 20-9-503, 20-9-507, 20-9-508, and 20-9-511, as amended;

(8) adhere to the educational cooperative agreements provisions of 20-9-701 through 20-9-704, as amended;

(9) adhere to the school elections provisions of Title 20, chapter 20, as amended;

(10) adhere to the students' rights provisions of 20-25-511 through 20-25-516, as amended; and

(11) adhere to the health provisions of 50-1-206.^m

Section 8. Repealer. Sections 20-15-302, 20-15-303, 20-15-306, and 20-15-307, MCA, are repealed.

Section 9. Effective date. This act is effective on passage and approval.



